

1 We strongly urge the Commission not to auction the
2 ATV spectrum, this would sound the deathknell for public
3 television, to reaffirm the assignment of a full 6 MHz
4 bandwidth to ATV, to maintain its commitment to reserve ATV
5 channels for non-profit educational use in whatever assignment
6 plan is adopted, to clarify that licensees may use the ATV
7 spectrum for ancillary and supplementary uses so long as the
8 revenue generated supports the licensee's public broadcasting
9 service. We also urge the Commission to relax or eliminate
10 financial qualification requirements for public television, to
11 relax the six-year construction deadline, and to continue must
12 carry requirement for both NTSC and ATV program services.

13 Public television is at a critical crossroads. We
14 face the daunting challenge of converting to ATV and the
15 opportunity to significantly enhance our service to the
16 American people, and at the same time, we face the most
17 serious funding crisis in our history. With the help of the
18 Commission, as well as Congress, the full public service
19 potential of this technology can be realized.

20 MR HUNDT: Mr. Tasker.

21 MR. TASKER: Thanks, Mr. Chairman. I'm here on
22 behalf of the Computer Industry Coalition for Advanced
23 Television Services, a group of eight leading companies in the
24 computer industry. Our membership includes Hewlett-Packard,
25 Silicon Graphics, Microsoft, Oracle, Intel, Apple, Compaq and

1 Tandem Computers.

2 The coalition has serious concerns about the
3 compatibility of the proposed advanced television standard,
4 transmission standards with computers and computer technology.
5 The success of the telephone system, and the internet, can be
6 expressed as the simplicity and uniformity of their
7 transmission standards. There is one in each case. Companies
8 are free to create innovation at the ends of the networks,
9 either from the transmission end or the receiving end, but the
10 single simple uniform transmission standards create an
11 environment for maximum competition and lowest cost in both
12 equipment and services available to consumers.

13 Now, let's talk about the ATV transmission
14 standards. One must understand, and I believe the Commission
15 does, that advanced television is not just about digital
16 delivery of pictures and sound to a TV set of the future. ATV
17 will change the nature of TV forever, just as my colleague
18 from WGBH says. What we are calling ATV is a digital data
19 transmission standard, or set of standards, really. Digital
20 data is also transmitted among computer networks or over phone
21 lines in a version similar to the ATV transmission standards,
22 similar, but not the same, and that, in our view, is a great
23 tragedy.

24 The ACATS process has left us with a standard
25 containing residue of the legacy system of the old television

1 in the new television standards. Why a tragedy, because it
2 could postpone, perhaps, forever the transition of television
3 from a stand-alone entertainment system into a competitive
4 conduit for entertainment and other interactive information
5 flow, what we are getting familiar with here in Washington and
6 the rest of the United States as the National Information
7 Infrastructure.

8 Indeed, the ATV supporters promise that it has a lot
9 to offer as a component of the NII and we agree. We think so,
10 too, that's why we're here. But we're here to warn you that
11 the promise will not be fulfilled as long as the residue of
12 legacy systems remain in the standard set.

13 Let me be clear, these problems, interlace scan,
14 rectangular pixels, a few other things that we'll get to you
15 in a technical document, are not merely about watching
16 television on computers. That statement have very little
17 meaning in the future, we're talking about much, much more.
18 What we are talking about is the possibility of continuing
19 today's two set phenomenon, one for computing applications,
20 one for television applications. We are perfectly happy to
21 compete on equal terms with television manufacturers for a
22 position in the consumer's home, but under the proposed
23 standard, the playing field is not level and it is tilted
24 against the American computer industry, the companies I am
25 representing today, and we would like the Commission to

1 correct that inequality in the final standard.

2 COMMISSIONER HUNDT: Thank you very much.

3 Commissioner Quello.

4 COMMISSIONER QUELLO: Yes, Mr. Gabbard, we're
5 interested in certainly having this new advanced picture and
6 technology available to small and medium markets, but how can
7 you afford to convert to ATV in a small market, or what plans
8 do you have to do this? How many stations do you have now?

9 MR. GABBARD: We have six right now.

10 COMMISSIONER QUELLO: Six, that's quite a load for
11 you to handle.

12 MR. GABBARD: Yes, sir, it is. It's going to be a
13 difficult transition, but given enough time to create a demand
14 by the consumer, I think your broadcasters who serve their
15 communities well with local television, use information,
16 children's programming, all the things that we do, will find a
17 way to make the conversion. I don't think every station and
18 every market will find their way, but I think your good ones
19 will. They'll lead the way.

20 COMMISSIONER QUELLO: Um-hum. What can the FCC do
21 to help the small market broadcasters?

22 MR. GABBARD: I would really encourage the FCC to
23 take a look at spreading this out, as I said in my document,
24 two to three years for the midsize markets, beyond your
25 current schedule that's talked about today, and maybe another

1 two or three years beyond that to the smaller markets, giving
2 the stations time to let the consumers create a demand.

3 COMMISSIONER QUELLO: Okay, that'll be quite an
4 investment on your part.

5 MR. GABBARD: Yes, sir, it would be a large
6 investment and may I say, too, Mr. Quello.

7 COMMISSIONER QUELLO: Absolutely, go ahead.

8 MR. GABBARD: I would just like to add, too, it was
9 mentioned this morning that there's about \$1.8 million to do
10 digital television to do ATV and I'd like to clarify that as
11 we see it today, whether it's 1.8 million, 2 million, 1.6
12 million, whatever the number is, that's strictly to pass the
13 network through. That is not to build a facility and convert
14 your news cameras and your studio cameras and your tape
15 machines so that all of your facility is digital. We're
16 talking about strictly a pass-through.

17 COMMISSIONER QUELLO: Okay. Let's see, Mr. Allan,
18 you've had experience with DBS digital system, what do you
19 think are ATV chances for success?

20 MR. ALLAN: Oh, I think the chance is based on what
21 we have seen with DDS, we conclude very quickly that HDTV has
22 a tremendous chance for success. When you look at a consumer
23 who is willing to spend \$699 for a digital set-top box, \$200
24 to have that installed so that he can pay a monthly premium
25 for broadcasting, I think that you're seeing right there that

1 the consumer is interested. He's expressed, in our survey,
2 basically two reasons for purchasing. One, program choice,
3 which we're all aware of, and the second one, with
4 approximately 38 to 40 percent of the consumers surveyed
5 reporting that their prime reason for buying was because of
6 the picture quality. With the other market research we're
7 seeing where the consumer is reacting to picture quality,
8 because the difference is significant enough that he sees it,
9 he likes it, and he wants it, we think the chance for success
10 is very high.

11 COMMISSIONER QUELLO: Based on your previous
12 experience, do you think the transition period will be longer
13 or shorter than expected? Do you have any estimate on
14 transition period?

15 MR. ALLAN: Well, I tried to do some homework today
16 and I've looked at numerous things. Color television, as all
17 of us know, started in 1954, did not really take off until
18 1964 when NBC was broadcasting roughly 3,000 hours of programs
19 a year and then was joined at that time by the two other
20 networks so the consumer was definitely certain that he would
21 receive color broadcasting. In the case of VCR, VCR took off
22 in about 1981 when there was a sufficient amount of
23 prerecorded programming available. When you look at it, we've
24 talk 10 to 15 years today, if we look at the most recent
25 introduction where we can get a reasonable penetration curve,

1 | it took VCR roughly 18 years to get to 80 percent penetration
2 | in this country that could have been quicker except for the
3 | fact that there were two competing systems at the start that
4 | created some confusion and it took us four or five years to
5 | clearly indicate which system would be the winner.

6 | COMMISSIONER QUELLO: What do you estimate?

7 | MR. ALLAN: I would say it's roughly 15 years.

8 | COMMISSIONER QUELLO: 15 years.

9 | MR. ALLAN: It's a primary service that could go
10 | faster than VCR because of the benefit offered to the
11 | consumer.

12 | COMMISSIONER QUELLO: Really, okay, thank you.

13 | COMMISSIONER HUNDT: Commissioner Barrett.

14 | COMMISSIONER BARRETT: Thank you, Mr. Chairman. Mr.
15 | Allan, you talked about \$600, was that for a high definition
16 | receiver?

17 | MR. ALLAN: When I talked \$600 a minute ago, I was
18 | talking about the DDS set-top box. When I was talking in my
19 | comments about pricing starting with a premiums \$1,000 to
20 | \$1,500, depending on feature content, that was a high
21 | definition receiver, declining over 10 years to a premium of
22 | roughly \$350 to \$400 above the price of a color television
23 | set, and I think if you look at --

24 | COMMISSIONER BARRETT: Over what period of time?

25 | MR. ALLAN: 10 years. Basically in consumer

1 | electronics you can assume that --

2 | COMMISSIONER BARRETT: It'll be above -- it'll be
3 | \$300 above the cost of a color television set.

4 | MR. ALLAN: Color television set, in 10 years it --

5 | COMMISSIONER BARRETT: The cost of the set now, or
6 | the cost in 10 years?

7 | MR. ALLAN: The cost in 10 years will still be
8 | approximately \$350 to \$400 above the price of a color
9 | television set in today's marketplace.

10 | COMMISSIONER BARRETT: What will a color television
11 | set cost in 10 years from now?

12 | MR. ALLAN: Pardon?

13 | COMMISSIONER BARRETT: What will a color television
14 | set cost in 10 years?

15 | MR. ALLAN: If you're looking at 27-inch, it started
16 | at \$1,000 seven years ago, it's now \$299, so if I add \$350 to
17 | that, it may be \$699 to \$700 for a large screen set.

18 | COMMISSIONER BARRETT: When you did your -- when you
19 | had the market research done and you talked about what people
20 | were willing to pay, I'm talking about in your written
21 | testimony, not in what you did, what was the demographics --
22 | who did the survey, No. 1?

23 | MR. ALLAN: The survey was done by Northwestern
24 | University for a group of four consumer electronics
25 | manufacturers. Basically the only criteria on selection was

1 that a consumer had purchased or intended to purchase a large
2 screen television set in the future. Of the people that were
3 interested in purchasing a large screen television, they
4 indicated that they were definitely interested in upgrading
5 their current set with a larger screen size and higher
6 performance, and they indicated, over and above that, they
7 would pay an additional premium for high definition
8 television.

9 COMMISSIONER BARRETT: Do you know the income
10 categories?

11 MR. ALLAN: No, I don't, sir.

12 COMMISSIONER BARRETT: So the acceptance and the
13 agreement -- or not the agreement, but the willingness to pay,
14 if you don't know the income level characteristics of those
15 people, may, in fact, be less than 10 percent of the
16 population, less than 15 percent of the population.

17 MR. ALLAN: Well, I think you have to look at DDS
18 where we have real live purchase behavior to answer that
19 question, and in the case of DDS, 40 percent of the initial
20 people that responded to the survey, had household incomes of
21 less than \$40,000. So it tells you that there's a broad
22 demographic selection of people buying DDS and we see the same
23 thing in large screen sets with a broad demographic population
24 in large screen sets today.

25 COMMISSIONER BARRETT: When did they do the survey?

1 MR. ALLAN: The survey was done in -- completed in
2 October of this year.

3 COMMISSIONER BARRETT: Given the fact that the
4 income of Americans, probably given the fact that the jobs
5 have been created more by a temporary employment agency than
6 they are in industry in a particular segment of our business,
7 mainly Manpower, Inc., out of Milwaukee, Wisconsin, where do
8 you think people are going to get the money from to be able to
9 pay what, \$600 -- \$300 over what the television cost will be?

10 MR. ALLAN: Well, I think what we see there,
11 Commissioner Barrett, today, we see many consumers, if video
12 is important in their lifestyle, if video is an important
13 entertainment source for them, they tend to step up and find a
14 way to set their priorities to respond to their needs for and
15 desires for entertainment. They may do it through financing,
16 they may do it through other mechanisms. But we see the
17 tendency in all large screen sets to see a very broad
18 population and distribution sample and our business is
19 predicated on selling to a large mass market.

20 COMMISSIONER BARRETT: I'm sitting here laughing,
21 because you know I am the only -- Jim Quello and I are the
22 only ones that were talking in 1954 when NBC took the lead in
23 color television. She wasn't even born. I know you and I
24 weren't born then either, Sherwin.

25 MR. GROSSMAN: I was there.

1 COMMISSIONER BARRETT: I've really owned two
2 television sets in my life, and I've only bought two because I
3 managed during Christmas and birthdays to make it well known
4 to relatives of my -- you know, I really would like a
5 television, and I will not pay that kind of money to have this
6 kind of a picture and I'm just curious as to what kind of
7 people were you interviewing?

8 MR. ALLAN: Well, I guess what I can tell you is
9 right now the fastest growing segment of the consumer
10 electronics business in the television industry is the large
11 screen segment which is growing at a rate of over 30 percent
12 per year. And again, that is a broad demographic cross-
13 section of the U. S.

14 COMMISSIONER BARRETT: Okay, that's rather
15 interesting. I guess if I had \$600 I'd say, well, in -- and
16 hopefully by that time it'll be 10 years as opposed to 12, if
17 I invested \$500 in U. S. Savings Bonds, there'd be \$1,000 in
18 8, 9, 10 years, by then. So that's rather a simplistic view
19 from a simple person, but I was just curious as to who the
20 people were that you interviewed. Mr. Liroff, let me ask you
21 a question, notwithstanding the fact that you will do great
22 programming. You talked about the relaxed flexible financial
23 rules for all stations?

24 MR. LIROFF: We were particularly asking for that
25 relief for public television stations.

1 COMMISSIONER BARRETT: All public television
2 stations.

3 MR. LIROFF: Correct.

4 COMMISSIONER BARRETT: Does WBGH and WTW in Chicago
5 need that kind of financial relaxation as opposed to possibly
6 a station in East Lansing, Michigan that comes from a poor
7 state university needing it because they don't have the fund
8 raising mechanism or the University of Missouri or some place
9 like that?

10 MR. LIROFF: I think, as in commercial broadcasting
11 with small markets and large markets, the large markets are
12 probably in a better position to facilitate the --

13 COMMISSIONER BARRETT: Would the answer -- let me
14 ask you this, then, would the answer be in this area not to
15 have three public television stations as opposed to having
16 possibly one?

17 MR. LIROFF: The legislative proposal proposes the
18 construction of only one ATV transmitter during the
19 transitional period.

20 COMMISSIONER BARRETT: Who would get it in this
21 area, WETA, Howard or the Maryland Broadcasters?

22 MR. LIROFF: Well, the overlapped signals are those
23 that you identified plus those in Northern Virginia, and the
24 process to determine which of those would be the key operator
25 has not been determined but the legislative proposal suggests

1 | that the ATV activities be shared by those broadcasters during
2 | the transition period.

3 | COMMISSIONER BARRETT: Um-hum, will we give
4 | financial relief to all of the three in this area or just
5 | decide that we're going -- let's assume that we were going to
6 | give it -- we'd set up some criteria for all three of those in
7 | this areas to meet and the ones that met it, the one out of
8 | three, would be the one that we'd give financial relaxation to
9 | as opposed to giving it to all three?

10 | MR. LIROFF: Well, again, during the transition
11 | period, they'd only be building out only one ATV transmission
12 | capability to be shared among those stations, so that they
13 | would share in the cost of that one ATV transmitter during the
14 | transition period.

15 | COMMISSIONER BARRETT: Okay, I guess what I'm trying
16 | to get you to agree to and you're not going to agree to is
17 | that this area doesn't need three public television stations.

18 | MR. LIROFF: I strongly disagree, Commissioner.

19 | COMMISSIONER BARRETT: Just one good one. Mr.
20 | Grossman, who in the world -- this is -- you're going to love
21 | this question, Mr. Chairman.

22 | COMMISSIONER HUNDT: In that case, go ahead.

23 | COMMISSIONER BARRETT: My Chairman just glowed when
24 | you talked about 23 hours of children's television. How in
25 | the world did you reach that and how can we reach that?

1 MR. GROSSMAN: Our first surveys came from 200
2 stations that --

3 COMMISSIONER BARRETT: 23 hours --

4 MR. GROSSMAN: A week.

5 COMMISSIONER BARRETT: Okay, a week. The Chairman's
6 only trying to get three, you're 20 over what he's trying to
7 get. How can we do that? I'm serious, I'm very serious.

8 MR. GROSSMAN: Commissioner, this is going to sound
9 funny. I've been in broadcasting, I guess, second only as
10 long as Commissioner Quello.

11 COMMISSIONER BARRETT: That's a long time.

12 MR. GROSSMAN: Yes.

13 COMMISSIONER BARRETT: 1950, you look much better
14 than he does.

15 MR. GROSSMAN: Yes, but he's busier than I am. He
16 plays tennis. But seriously, the rules of locally
17 integration, and you have to define local. For example, I was
18 on a panel with the president of CBS and he spoke about the
19 local television that their station in Minneapolis had, and it
20 was the Minneapolis baseball team, which is a National League
21 team, and it is local.

22 COMMISSIONER BARRETT: That's an American League
23 team that the White Sox beat all the time.

24 MR. GROSSMAN: Yes. Well, you see what kind of a
25 baseball fan I am. And it covers an area which is what high

1 power stations do. Whereas low power coverage --

2 COMMISSIONER BARRETT: Now, you've got to get the
3 answer to my question about the 23 hours because the
4 Chairman's going to get mad.

5 MR. GROSSMAN: -- we call it local local, we cover
6 the schools. We cover the school football games in a town and
7 the local things in small cities. Like in Princeton, Indiana,
8 there's a television stations 60 miles from Evansville, does
9 everything 15 hours a day, owned by the high school, run by 25
10 kids.

11 COMMISSIONER BARRETT: Okay, I really would like to
12 see something in writing, though, because I think if you're
13 getting that and it's reaching --

14 MR. GROSSMAN: I'll be happy to send the return from
15 the stations to you.

16 COMMISSIONER BARRETT: -- and I will not call you
17 low power, and that's the end of my question. I wanted to ask
18 John Abel something but John knows everything and I just don't
19 need to ask him anything.

20 COMMISSIONER HUNDT: I agree. Commissioner Ness.

21 COMMISSIONER NESS: Thank you, Mr. Chairman. Mr.
22 Allan, should we be concerned that continued sale of analog
23 NTSC sets might impair the eventual recovery of the analog
24 spectrum?

25 MR. ALLAN: No, I think we're looking at a situation

1 right now where you have numerous consumers that will require
2 an analog set for secondary purposes because they have
3 prerecorded NTSC cassettes, they have other products right now
4 that work with NTSC and I think that one of the things we have
5 always seen is that in consumer electronics, the older systems
6 have uses because of various pieces of software that have been
7 saved that require NTSC demand.

8 COMMISSIONER NESS: -- selling new sets once a
9 standard is adopted?

10 MR. ALLAN: Yes.

11 COMMISSIONER NESS: Some argue that the quality of
12 DDS pictures is sufficient for most consumers. Do you
13 disagree, and if so, why?

14 MR. ALLAN: Obviously, seeing we put the system
15 together, we're very proud of the performance of DDS.
16 However, if we're trying to set a standard that has to last
17 for numerous generations, I think it's essential, one, to have
18 high definition and provide the headroom to further improve
19 that signal and I think when we have shown in the
20 demonstrations at the National Consumers' League on Capital
21 Hill and the demonstrations here recently, that when most
22 people see the differences between standard definition and
23 high definition, or DDS quality, that they find a striking
24 difference and react very favorably to high definition.

25 COMMISSIONER NESS: When do you expect to see flat

1 screen display panels to be available, if at all?

2 MR. ALLAN: That's a tough one. Right now, I mean,
3 the flat panel and the flat screen and the television on the
4 wall has going to be ready in the next decade for the last
5 four decades. There's still a lot of work, some people are
6 doing some very good work in large screen flat panel. It's
7 still in the prototype stage and they're still very expensive.
8 So I think we're still quite some time away from large screen
9 flat panels which is what the consumer really wants.

10 COMMISSIONER NESS: Thank you very much. Mr.
11 Grossman, I have a lot of empathy for low power television
12 stations, I think you do provide a wonderful service for your
13 communities. Since 1987, how many LPTV stations have been
14 licensed?

15 MR. GROSSMAN: Well, there 1,772. I don't know what
16 it is since 1987 --

17 COMMISSIONER NESS: Do you know when they began --
18 okay.

19 MR. GROSSMAN: -- but the --

20 COMMISSIONER NESS: I'm thinking about when we began
21 our investigation.

22 MR. GROSSMAN: Yes, I don't think there was more
23 than 200 or 300 because it was tied up in a log jam legally in
24 the FCC back in the years and then Keith Larson took about a
25 couple of years to straighten it out.

1 COMMISSIONER NESS: Okay.

2 MR. GROSSMAN: Most of the industry was built while
3 the engineering was going on.

4 COMMISSIONER NESS: In reality, rural areas, I would
5 assume, would have plenty of spectrum and it will continue to
6 have plenty of spectrum. The major problem is probably around
7 the urban areas, especially on the east coast, is this
8 correct, in your view?

9 MR. GROSSMAN: Yes, what we're really asking for is
10 a chance to straighten out our own house. For example, in
11 Miami, Miami is on the east coast, it has 14 television
12 stations. I took the allocation plan and got the parameters
13 from the engineering staff and I was able to give myself an
14 ATV channel along with any other LPTV and there's reasons for
15 it. What we're asking for is that an LPTV station, that it
16 have a chance to apply and get it out to its 74 DB curve. I
17 think financially, I know it's money, but, you know, we build
18 1,500 stations with no bank loans. Everybody built these
19 stations on their own, with their own money, their own guts.
20 I'm not -- we need time like this gentleman says you do. We
21 just want an opportunity to do it, not be shut out after
22 applicants.

23 COMMISSIONER NESS: MSTV has tried to work out a
24 plan for full power stations, have you analyzed the spectrum
25 and come up with any sort of a transition plan that would

1 | accommodate LPTV stations?

2 | MR. GROSSMAN: What we've been able to find, yes,
3 | but we would need time, we're willing to work on it and do it.
4 | What we need is from the Commission to say, go ahead and try
5 | and save the service and we'll go to work and try and save it.
6 | We know we're secondary as far as NTSC is concerned, that was
7 | the deal when we got them, I can't change it. We know the
8 | interference standards, we need new interference standards and
9 | then we'll follow the darn rules. LPTV has been a trouble-
10 | free service for the Commission.

11 | COMMISSIONER NESS: Okay, thank you very much, Mr.
12 | Grossman. Mr. Abel, or Professor Abel, Dr. Abel, how long,
13 | John, how long do you think that broadcasters will be
14 | broadcasting in NTSC?

15 | MR. ABEL: How long?

16 | COMMISSIONER NESS: Yes, please.

17 | MR. ABEL: For the rest of the life of everybody in
18 | the room.

19 | COMMISSIONER NESS: Oh, boy. If we all become real
20 | heavy duty senior citizens that'll be a real long time. In
21 | what way is data that's broadcast over NTSC a test of what it
22 | would be like to have data transmitted using a digital system
23 | such as the Grand Alliance system?

24 | MR. ABEL: What I'm trying to do is develop a small
25 | bitstream in the NTSC channel. I would be the same kind of

1 data, it would just be that the capacity of the ATV channel
2 would be significantly greater to distribute more data at much
3 higher rates, so I can provide more services in the ATV
4 channel than in the NTSC channel.

5 COMMISSIONER NESS: Okay, thank you. Mr. Gabbard,
6 I'm also very sympathetic with the concerns about small market
7 broadcasters having lend to many of them, during the course of
8 my lending days, all stations changeout equipment, what are
9 the typical periods over which they would changeout studio
10 equipment for new equipment?

11 MR. GABBARD: Usually, for example, a transmitter
12 might run 15 years, and it's a big, big expensive piece of
13 equipment, obviously. Studio cameras might last five to seven
14 years, so it just depends on equipment. Tape machines you
15 wear out fairly quickly.

16 COMMISSIONER NESS: Okay, how should we handle
17 translators? That has been an issue that was raised in a
18 prior panel.

19 MR. GABBARD: I don't have an easy for that. I know
20 that in areas in particular, Stanley Hubbard's areas, for
21 example, the areas out west where Bill Sullivan operates in
22 Montana and they rely heavily on translators to get the signal
23 to the people in smaller, sparsely populated areas, but it's
24 just as important to those folks to have the service as it is
25 someone who lives in a metropolitan area. So I don't have the

1 answer to how you should handle that, that's more of a
2 technical question that I am not qualified to get into. But I
3 can tell you that they are a very important service.

4 COMMISSIONER NESS: Okay, thank you. Mr. Chairman,
5 if I can just simply observe that our wonderful digital
6 compression demonstration here manages to deliver summer and
7 winter temperatures within a matter of minutes in this hearing
8 room, and I really want to commend everybody that's been able
9 to go through this process all day with us.

10 COMMISSIONER HUNDT: We did this in a deregulatory
11 way until we did not predict what temperature at any given
12 hour. Commissioner Chong.

13 COMMISSIONER CHONG: I think it's colder on the left
14 end because I'm right under a vent.

15 COMMISSIONER HUNDT: That's the way all of us on the
16 left feel.

17 COMMISSIONER CHONG: Is that a recent phenomena
18 since about November? I'd like to go back to Mr. Allan.
19 We're getting punchy, you know.

20 COMMISSIONER HUNDT: It's been a long day.

21 COMMISSIONER CHONG: Yes, it has, but this is a very
22 important panel. I really appreciated all the information you
23 presented particularly in your testimony, Mr. Allan, because I
24 think a lot of us are worried about, you know, only whether
25 rich Americans are going to be able to afford HDTV and what

1 will happen to middle and low income Americans if the HDTV
2 standard is mandated and I was looking, with interest, at your
3 market research on digital satellite systems, and that seemed
4 to refute that concern because you found that nearly 40
5 percent of early digital satellite system buyers had annual
6 household incomes below \$40,000. So -- and, I would not, that
7 a digital satellite system is not a primary service like free
8 over-the-air television service is. So, based on that, would
9 you expect that if HDTV became a reality that even low income
10 Americans would consider purchasing it?

11 MR. ALLAN: Yes, I believe that it is determined by
12 the person's desire, as I said earlier, on how important is
13 that entertainment that the networks and the broadcasters
14 provide to them. I think a perfect example, and I've told the
15 story many times, if you drive along the Ohio River, you'll
16 see many places where you'll see digital satellite dishes and
17 receivers that are more expensive than the homes and the
18 trailers that are utilizing them. I think that is just
19 another indication that if television entertainment is a
20 primary source of information entertainment for the consumer,
21 they tend to try and find ways to adopt the sets. And, of
22 course, we do our best to drive the cost down as rapidly as we
23 can to expand that market and make it as broad as possible.

24 COMMISSIONER CHONG: Now, you've also told us that
25 you think we ought to have a minimum HDTV requirement and you

1 | also say, though, that the Commission shouldn't mandate
2 | requirements for the consumer sets --

3 | MR. ALLAN: It sort of sounds like the broadcasters,
4 | doesn't it.

5 | COMMISSIONER CHONG: It does kind of sound like the
6 | broadcasters. I've had people argue we should do one or the
7 | other or both today and I'm wondering why you took that
8 | particular position and what your reasons were?

9 | MR. ALLAN: Okay, we have already committed, and
10 | we've said all along, that we would build all-format
11 | receivers. We think it's a requirement, I'm not about to try
12 | and explain to a consumer when signals change that his
13 | television goes blank and he's not about to actually receive
14 | the signal or wonder why he doesn't have programming. We have
15 | also said, in some of the detailed comments, that we would be
16 | more than happy as Thomson, to accept a requirement to mandate
17 | for all television -- or all-format receivers with an
18 | equivalent requirement on broadcasters because we truly
19 | believe that the key to making this transition to rapidly and
20 | quickly is for a clear message to the consumer that tells him
21 | and assure him and make him confident that there will be high
22 | definition and standard definition television signals
23 | available and there will be receivers to receive them. If we
24 | do a clear message, we will hasten the transition and make it
25 | happen as rapidly as possible. If we confuse it, you have an

1 AM stereo.

2 COMMISSIONER CHONG: Which was not successful,
3 right?

4 MR. ALLAN: That's correct.

5 COMMISSIONER CHONG: Okay, I'd like to turn to Mr.
6 Liroff from the public TV area. I mean, there's no question
7 of the tremendous benefits that public TV has brought to
8 America and my concern is how we can help public TV make this
9 transition. You have discussed, in your testimony, the
10 proposal that's up on the Hill and I was wondering if you
11 could briefly update us on the status of that proposal and
12 whether you have any sense of whether it will go through or
13 not?

14 MR. LIROFF: My understanding, Commissioner, at this
15 point is that it's not being considered actively until the
16 present conference on the principal telecommunications
17 legislation is completed. We're hoping for some consideration
18 before the end of the calendar year, but, at this point, I
19 don't think it -- it's being discussed by staff, but it's not
20 in active consideration at this point.

21 COMMISSIONER CHONG: Now, you've expressed some
22 interest in some multiplexing, in other words, squeezing four
23 channels out of the 6 MHz --

24 MR. LIROFF: Absolutely.

25 COMMISSIONER CHONG: -- and my question to you is,

1 | if that's something you're interested in doing, do you think
2 | the Commission should mandate HDTV at all or would you like to
3 | have complete flexibility?

4 | MR. LIROFF: We would prefer that there be no
5 | minimum requirement. We think that both the commercial
6 | broadcasters and the public broadcasters will move into HDTV
7 | and that there be some flexibility if there is a requirement,
8 | particularly for those ATV transmitters which we propose be
9 | shared by several stations during the transition period.

10 | COMMISSIONER CHONG: Right. Let me ask you about
11 | that. Now, you're talking about sharing one ATV transmitter
12 | during the transition, I mean, all the non-commercials in that
13 | area.

14 | MR. LIROFF: In each service area, right.

15 | COMMISSIONER CHONG: And you are going to lease out
16 | the excess capacity so that you can fund the public
17 | programming, is that correct?

18 | MR. LIROFF: The legislative proposal proposes that
19 | there be an investment trust set up to whom the spectrum would
20 | be assigned, the ATV spectrum. It would assign --

21 | COMMISSIONER CHONG: I see, and they would lease it
22 | out and manage it.

23 | MR. LIROFF: And, for the purposes of establishing
24 | an endowment for public broadcasting, the proceeds from which
25 | would then fund ongoing operations of public broadcasting and